

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF WESTERN)	
ROCKCASTLE WATER ASSOCIATION, INC.)	
AND NORTHERN ROCKCASTLE COUNTY)	
WATER DISTRICT FOR (A) APPROVAL OF A)	
JOINT AGREEMENT TO MERGE)	
NORTHERN ROCKCASTLE INTO WESTERN)	
ROCKCASTLE PURSUANT TO KRS)	
278.020(4) AND 807 KAR 5:001; (B) FOR)	CASE NO. 98-099
APPROVAL OF RATES, CLASSIFICATIONS)	
AND ADMINISTRATIVE REGULATIONS TO)	
THE CUSTOMERS AND TERRITORY OF)	
NORTHERN ROCKCASTLE PURSUANT TO)	
THE PROVISIONS OF 807 KAR 5:011,)	
SECTION 11 AND (C) FOR AUTHORITY FOR)	
THE WESTERN ROCKCASTLE WATER)	
ASSOCIATION, INC. TO INCUR CERTAIN)	
INDEBTEDNESS AS REQUIRED PURSUANT)	
TO KRS 278.300)	

ORDER

IT IS ORDERED that Western Rockcastle Water Association, Inc. ("Western Rockcastle") and Northern Rockcastle County Water District ("Northern Rockcastle") shall file the original and 5 copies of the following information with the Commission no later than 14 days from the date of this Order. Western Rockcastle and Northern Rockcastle shall furnish with each response the name of the witness who will be available to respond to questions concerning each item of information requested should a public hearing be scheduled.

1. Western Rockcastle states in its application, at page 4, paragraph 8, that it will pay the indebtedness of Northern Rockcastle from either surplus funds or the proceeds

of new debt. However, at page 7, it requests authority to assume Northern Rockcastle's debt or issue new debt to refund the existing debt.

a. Does Western Rockcastle intend to assume any of Northern Rockcastle's debt? If yes, state how much will be assumed and what the terms will be for the debt after the assumption.

b. Does Western Rockcastle intend to issue any new debt to refund Northern Rockcastle's existing debt? If yes, state how much new debt will be issued and the terms for the new debt.

c. Does Western Rockcastle intend to use surplus funds to pay off any of Northern Rockcastle's existing debt? If yes, state how much in surplus funds will be used for this purpose.

2. The application at Exhibit D, Section VI, shows Northern Rockcastle's current or expected debt to be \$616,000, but its 1997 balance sheet, filed on April 3, 1998 in response to the filing deficiencies, shows this debt to be \$460,291.47. Reconcile the difference between these two amounts and state how much debt will be assumed and how much will be refinanced.

3. The application, at Exhibit D, the last paragraph of Section VI, shows an estimated project cost of \$1,142,000 to acquire Northern Rockcastle and to construct system improvements. This cost was to be financed by a loan and grant from Rural Development. Has Rural Development made a formal commitment for the loan and grant?

a. If yes, provide a copy of that commitment.

b. If no, what is the basis for believing that a loan and grant will be obtained from Rural Development?

4. What will be the amount, interest rate, debt service, and repayment period for the proposed debt issue?

5. Will there be any cost savings derived from the early retirement of Northern Rockcastle's outstanding debt?

a. If yes, provide the net present value of those savings and the calculations to support that value.

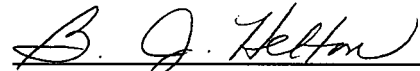
b. If no, what benefits will be derived from the early debt retirement?

6. Will there be any penalties incurred due to the early retirement of Northern Rockcastle's debt? If yes, provide a calculation of the amount of any penalties.

7. By letter dated January 24, 1997, the Commission notified each jurisdictional water utility that it had to file by April 1, 1997 detailed system maps. (A copy of this letter is attached hereto as Appendix A.) To date, Northern Rockcastle has not filed the required maps. Provide one copy of a map or maps of the Northern Rockcastle system. The map must be at a scale of one mile equals one inch (e.g. KYDOT County Highway Map Scale 1:62,500 series) or larger and must show pipelines, with sizes, locations, and connections, as well as treatment facilities, wells, booster pumps, and water storage tanks and reservoirs. The nominal capacity and location shall be given for each treatment facility, well, booster pump, and water storage facility. In addition, the overflow elevation for each water storage tank and reservoir shall be given in feet above mean sea level (ASL) based on standard U.S. Government maps or surveys of the area. In addition, Northern Rockcastle must also mark the map to show the location of its boundaries, labeled to indicate the appropriate court order from which each boundary was determined, and file a copy of each such court order with the map.

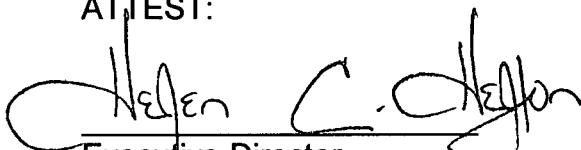
Done at Frankfort, Kentucky, this 18th day of June, 1998.

PUBLIC SERVICE COMMISSION

A handwritten signature in cursive script, appearing to read "B. J. Helton", written over a horizontal line.

For the Commission

ATTEST:

A handwritten signature in cursive script, appearing to read "Helen C. Helton", written over a horizontal line.

Executive Director

APPENDIX A
AN APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION
IN CASE NO. 98-099 DATED 18th day of June, 1998.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY 40602
(502) 564-3940

January 24, 1997

TO ALL JURISDICTIONAL WATER UTILITIES:

Governor Paul E. Patton by Executive Order 96-1339 dated October 3, 1996, created the Water Resource Development Commission (WRDC) to develop a strategic plan to ensure that every Kentucky household has access to potable water by the year 2020. Phase I of WRDC's mission includes the preparation of an inventory of existing water systems in the Commonwealth. In compliance with the Governor's Executive Order and pursuant to 807 KAR 5:006, Section 22, you are directed to file with the Public Service Commission a copy of a map, or maps, of your water system. The map shall be at a scale of one mile equals one inch (e.g. KYDOT County Highway Map Scale 1:62,500 series) or larger. The map of the water system shall show pipelines, with sizes, locations, and connections, as well as treatment facilities, wells, booster pumps, and water storage tanks and reservoirs. The nominal capacity and location shall be given for each treatment facility, well, booster pump, and water storage facility. In addition, the overflow elevation for each water storage tank and reservoir shall be given in feet above mean sea level (ASL) based on standard U.S. Government maps or surveys of the area.

Each water district organized under KRS Chapter 74 shall also mark the map to show the location of the water district's boundaries, labeled to indicate the appropriate court order from which each boundary was determined. The water district shall also file a copy of each such court order with the map.

You are requested to file the above map or maps with the Public Service Commission by **April 1, 1997**. Should you have any questions about the map requirements, you may contact this office at the above address.

Sincerely,

A handwritten signature in cursive script, reading "Claude G. Rhorer, Jr.".

Claude G. Rhorer, Jr., Director
Division of Utility Engineering & Services